

TODAY

Low Risk Factor Prompts First-Time Business Owner to Plunge into Submarine Business

MAY 1993

What do an accountant and a submarine sandwich have in common? "Nothing," probably would have been Larry Smith's reply if you asked him that a year ago.

"Until I considered buying the business, I'd never even been in a Subway," says the former office manager who, in 1992, purchased two of the up-and-coming sandwich franchises in Grande Prairie after receiving a tip from a close friend in commercial real estate.

"I guess I was looking for something I could do for myself. I was always working for other people and doing a good job, and I thought I could go out on my own and do the same," explains Smith, adding a low-risk venture held the greatest appeal.

"My concern with getting into something else was the start-up phase. You have no idea whether it's going to be successful — that just scared the heck out of me."

Smith not only reviewed the financial statements of the stores he was planning to purchase, but also took matters one step further by investigating the success rate of other outlets.

"By the time I got to the point where I was looking for financing, I felt comfortable that these were viable operations and I could take a run at it. If there was anything I would have done more of, it would be talking to as many people as I could who already have franchises. These people are really willing to share their ideas and experiences," notes Smith.

Even though he was investing in a proven concept and had a comprehensive business plan to back it up, Smith still had problems obtaining

financing through regular channels.

"Both bankers we spoke to said they had no doubt things would fly, but we didn't have enough assets. It was really frustrating because my wife and I are both conservative and would never consider getting into anything that wouldn't work," he says.

Alberta Opportunity Company provided him with a loan, and since

"If there was anything I would have done more of, it would be talking to as many people as I could who already have franchises."

then he's thrown himself into the business, dividing his time between both Subway locations.

Along with the benefits of being part of a buying group of some 7,500 stores, Smith values the guidance provided by Subway. A voice mail system enables owners to tap into timely information, while seminars provide lessons on everything from employee motivation to quality control.

"One other advantage is the fact that you're required to report your sales on a weekly basis," adds Smith.

"The paperwork that goes into that really forces you to know where you're at."



Photo: Randal Kasatoff

Larry Smith: Guidance is a plus.

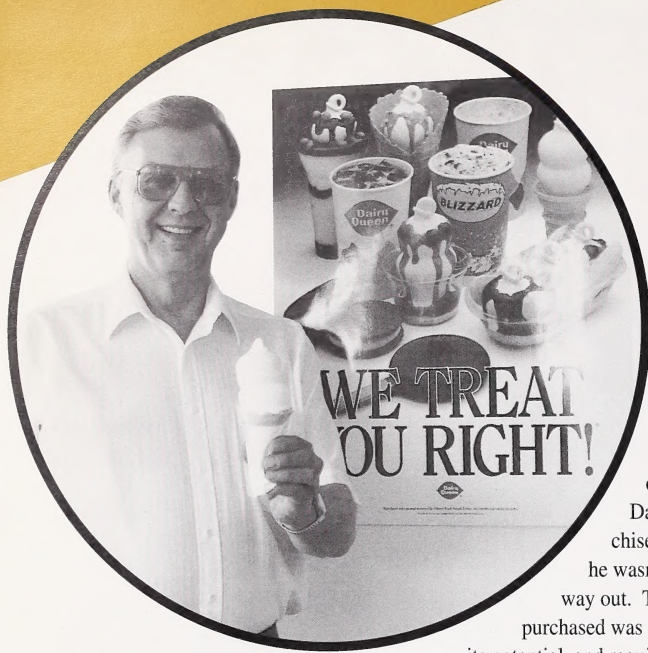
Smith may be a relative newcomer to the franchise game, but

he has managed to operate what is consistently rated one of the top 10 stores in the province and expects an overall increase in sales this year.

"Where I'm at now, I'm certainly not going to get rich but at the end of five years, I'll basically own these stores and my loan payments become income," says Smith.

Part of his revenue will always go to the franchisor, but it's a trade-off Smith willingly accepts.

"There are people out there who say if you build your own store, you're not paying for goodwill and royalties, but I wouldn't do it any other way. I like knowing what I'm getting into."



Lee Van Horne: Putting in time to treat his business right.

Time and Hard Work Key to Reaping Just Desserts in Fast Food Business

When Lee Van Horne swapped his police career to operate a Dairy Queen franchise in Lloydminster, he wasn't taking the easy way out. The store he purchased was not performing to its potential, and required a firm hand to win back local customers.

"I really had a belief in the industry, in Dairy Queen. I knew it had quality products — the challenge was to maximize the fundamentals of the Dairy Queen business," says Van Horne, who was familiar with the franchise as a result of his brother's involvement with a Sherwood Park outlet.

After taking over the Lloydminster store in 1988, Van Horne rolled up his sleeves and got down to the business of trying to build up business. By updating equipment, implementing strict procedures and controls, and embarking on a local advertising campaign he was able to persuade residents to give the operation another chance.

"Once you correct problems, word slowly gets around. It's the quality and service that you put across the counter that matters," stresses Van Horne.

While the product is key to building loyalty, what goes on behind the scenes is equally important. Van Horne emphasizes that franchises, like any other venture, require commitment and hard work.

"You've got to have the skills or develop them quickly, and I'm certainly not a believer in absentee ownership in any business. You have to have a direct hands-on approach.

"People run into problems because they don't realize that you have to put time in. It's unfortunate that they see franchises as money-making things that they can sit back and administer, but it just doesn't work that way."

By following his own advice, Van Horne turned

the operation around in less than the 1 1/2 years he predicted it would take.

"The store is doing well — I'm really pleased with its performance" he reports, adding he's confident there's room for further growth.

"I still have people who come out and positively comment on the changes. It's the first time they've been in and I've been here four years. There's lots of people left to reach."

To that end, Van Horne continues to work seven days a week, taking time off only for a few short vacations every year.

"You've got to be prepared to put in the hours because I don't think anything comes easy in any business," he maintains.

"You've got to have the skills, and I'm certainly not a believer in absentee ownership in any business. You have to have a direct hands-on approach."

Top 10 Franchises

*Here's a list of
the **TOP 10**
franchises for
1993 according
to Entrepreneur
magazine:*



Wayne King: Patience is crucial.

Long-Term Approach Taken to Tackling Franchise Game

In many instances, security is the last thing a person associates with owning a business. But that's exactly what Wayne King had in mind when he opened a Minit-Tune and Brake Auto Center franchise in Lethbridge.

"In part, this is just long-term financial planning," he explains.

"You don't get stability these days working for somebody else. There are no secure positions out there, and I was looking at this as an opportunity for something I could hand down to my sons."

The former airforce pilot and oil purchasing agent opted for a franchise largely because of the support factor. Along with management assistance, he was also attracted to the benefits of name recognition and greater buying power.

He launched his business just over a year ago, and acknowledges it takes more than hanging up a familiar sign to attract customers.

"The first year was quite slow. Lethbridge is a particularly difficult market in the context of long-standing

"You don't get else. There are looking at the

1. **Subway**
2. **Dunkin' Donuts**
3. **Little Caesars Pizza**
4. **McDonald's**
5. **Mail Boxes Etc.**
6. **Burger King**
7. **Chem-Dry**
8. **Jani-King**
9. **Dairy Queen**
10. **Coverall North America Inc.**

Investigate... Before You Sign On!

Gail Harding
Milner Fenerty - Calgary

The freedom of operating your own business, coupled with the support of experts - the franchising alternative - appears to offer entrepreneurs the best of all worlds. However, all franchises are not equal and the amount of support provided by a franchisor varies greatly from franchise to franchise. If you're considering going this route, it's extremely important to carefully investigate the franchisor and its program before entering into an agreement.

In Alberta, a franchisor must prepare and deliver a prospectus describing the business at least four business days prior to executing an agreement. Here's where you'll find valuable information including the history of the franchisor

and its principals, audited financial statements, and a list of operating franchisees in Alberta. The latter is especially useful as it enables you to contact other franchisees to discuss their situations, and the quality and quantity of support they receive.

Many franchisees are surprised at the lack of freedom they actually have to operate their business. In most cases, franchisors have significant control in order to maintain standards. Procedures are expected to be followed, no matter how many innovative ideas you may have.

"Before agreement, the documents legal advice understand

loyalties to existing operations.”

Like any other entrepreneur, King has had to adopt a patient attitude with respect to realizing growth and income. He recently enhanced his investment by purchasing his own premises through the help of AOC financing.

“I did have a rental agreement that would have allowed me to continue as I was but from a cash-flow point of view it made more sense to purchase,” he notes.

His advice to anyone considering entering the franchise game?

“Be prepared for a longer period than you might anticipate in terms of getting to breakeven or profitable levels,” advises King.

After a sluggish beginning, business at the Lethbridge Minit-Tune has picked up considerably, increasing 30 per cent in the past month alone. A franchise may cost more than starting a business from scratch, but King is confident there’s plenty of opportunity to come out a clear winner.

“In the end, if you invest in a good product and are prepared to invest time and effort you can be successful.”

Considering Buying a Franchise?

Information about franchise opportunities is widely available in small business periodicals. One of the best sources we’ve found is *Entrepreneur* magazine which publishes its annual Franchise 500 list every January. Its comprehensive roll includes everything from the year each business began to estimated start-up costs and royalty fees.

When it comes to buying a franchise, Alberta Economic Development and Tourism has a checklist designed to help you thoroughly investigate what you’re getting into. To obtain a copy, visit your local ED & T office, or call the Business Line at: 422-9675 (Edmonton) or 1-800-272-9675 (Alberta).

Do You Already Own a Franchise?

The Franchisee Association of Alberta is a non-profit society which provides its members with a means to exchange ideas, share information, and address common issues.

Along with producing a quarterly newsletter, the organization also stages seminars for prospective and existing franchisees. For more information, call John Zlotoff at 429-3708 (Edmonton).

Gail Harding

While the prospectus provides certain descriptive information pertaining to the franchisor, it is the franchise agreement that governs your relationship with the franchisor. The

agreement specifies the term of the franchise, location, whether a territory is exclusive or not, and rights and duties regarding issues such as

renewal, assignment and termination.

Before you sign a franchise agreement, it is critical you review the document carefully and obtain legal advice so you have a clear understanding of the arrangement and its terms. If you are required to rent premises for your business, make sure the terms of your lease and franchise agreement are the same.

The popularity of franchising is due, in part, to the generally high success rate of such businesses. However, it’s not a guaranteed investment. The success of your venture is dependent on many factors including your efforts and abilities, and the support of your franchisor. If you’re about to take the dive, investigate each franchise as thoroughly as you would any other business opportunity prior to entering into an agreement.

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Call us . . .

AOCToday was created to meet your information needs. If there's a business issue you want to see addressed, facts you need to know or a story you'd like us to share, call us! We've got an edition of 'Creating the Service Culture' for the best suggestion we receive.

We also want to help you in your entrepreneurial endeavours. If you're looking for business partners, seeking an investment opportunity or trying to sell your own operation, call us! We'll make an effort to pass your needs onto our readership.

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Innovations

Security Software Wows Fortune 500 Companies

AOC-backed PPM 2000 Inc. recently launched a new security software system that has attracted hundreds of big business players including Hewlett Packard, Honeywell Inc., and Unisys Corporation.

"To have 25 per cent of your customers come from Fortune 500 companies is really significant," says Denis O'Sullivan, president of the Edmonton-based company.

Its InCase software tracks and assists in the investigation of security, safety or risk-management incidents. With turnkey packages designed for use by health care facilities, universities and colleges, financial institutions, and hotels, PPM 2000 is filling a niche by meeting the needs of specific industries.

O'Sullivan describes InCase as a complement to his company's first product, InTrack, which is much more comprehensive and costly.

"We're now offering choices in price range, and that's important," he says, noting PPM's security management software retails from \$399 to \$4,999 U.S., with InCase in the middle at \$899 U.S.

With expenditures on security related products growing by leaps and bounds in North America, O'Sullivan says the potential of InCase is staggering.



PPM 2000's Denis O'Sullivan

"We're now selling 20 to 25 systems a month and that's expected in the next few months to go up by 40 to 50, and sit there for a little while before going up again."

What's new?

Does your firm have an exciting new product or service?

AOC Today's 'Innovations' section is dedicated to highlighting unique Alberta companies that are striving to win by taking a fresh approach.

To participate, send us a brief description of your business and what's new. Now's the chance to show us your entrepreneurial spirit!

Letters . . .

This is a long overdue letter to say, "thank you" for the services of AOC.

I was well into building a new store, when my previous bank said it would not be able to provide financing. My proposal was reviewed by your Red Deer office staff who very capably guided me through the hoops to final approval of our loan.

After two years with AOC, we were able to find alternate funding with a commercial institution. I am sure you have no difficulty with our decision to do that, in light of a substantial savings in interest. Although I am disappointed at not being able to continue our business relationship, my understanding is that your mandate was served in helping an Alberta business survive.

Because of your assistance, we were able to build our new store, employ up to 15 more people, and, I believe, encourage further economic development in our community.

I believe the services of AOC are very important to our communities and our province. It was a pleasure to deal with people who truly understand the economics of financing, rather than bottom-line accounting.

Allan C. Fisher
Cobb's Limited
Sylvan Lake

Welcome Aboard!

We're proud to welcome the following companies to the AOC family:

Alberta Asphalt Roofing Ltd., Calgary
Awl-Right Forest Products Ltd., Cremona
B.C. Howie Pressure Systems, Calgary
College Pro Painters; Calgary, Lethbridge,
Sherwood Park
Creature Comforts, Airdrie
Lakeland Enterprises, Grande Centre
Mildred's Collectibles & Antique Furniture,
Edmonton
Minit-Tune & Brake Auto Center, Lethbridge
Noralta Amusements, Fairview
Onoway Lumber and Building Supplies Ltd.,
Onoway

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